



**VILLAGE OF SILEX, MISSOURI
YEAR ENDED DECEMBER 31, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-116
December 19, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2002

The following problems were discovered as a result of an audit conducted by our office of the Village of Silex, Missouri.

Inadequate oversight and monitoring by the Board of Trustees, inadequate records, accounting errors, and improper uses of restricted monies have all contributed to a serious financial situation for the village. Village monies were used to purchase personal items, checks were written to cash, cash was withheld from deposits, and it appears some monies were never deposited to village funds. Also, a significant amount of money is due to the federal government for unpaid payroll taxes.

The Village Clerk does not adequately record all transactions on village accounting records or reconcile the accounting records to bank records. Disbursements were usually recorded on check registers but deposits were seldom recorded, and account balances were not maintained and reconciled to bank balances.

The Board of Trustees does not review and approve the payment of village expenditures. In addition, interfund transfers are not approved by the board. The Village Clerk receives the invoices and prepares and signs the checks. Vendor invoices or other supporting documentation was not properly maintained for 47 of 61 expenditures reviewed. One check, in the amount of \$3,000 was used to make payments on personal loans of the former Chief of Police. Seven of the payments (totaling approximately \$3,140) represented reimbursements to the former Village Clerk, and several checks (totaling approximately \$2,400) were made payable to cash.

During the year ended December 31, 2001, the village spent approximately \$1,000 on three cellular telephones, telephone supplies and calling cards, none of which can be located. The telephone company indicated there were no telephones in the village's name.

During the year ended December 31, 2001, the wife of the former Chairman of the Board was paid approximately \$1,300 to cook the weekly Saturday morning breakfast. We found no evidence in the minutes of approval or to document if the former Chairman of the Board abstained from voting to hire his wife. The Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

The village does not properly report wages on Form W-2. We noted that salary amounts reported on the employee's W-2 forms were approximately \$2,000 more than what was

(over)

YELLOW SHEET

reported on the Division of Employment Security Quarterly Contribution and Wage Reports. In addition, there was no evidence to show the village had filed the employees' W-2 forms with the Internal Revenue Service (IRS).

The village does not withhold federal or state income taxes from the compensation paid the village employees. Furthermore, the village did not have employee withholding forms (W-4) on file for any individuals employed by the village.

The social security and Medicare taxes withheld from employees' payroll checks and the village's matching taxes were not disbursed to the IRS. The village has not filed Form 941, Employer's Quarterly Federal Tax Return, since 2000.

Village appointed officials received raises in December 2001, during their terms of office. The Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition, state law requires the salary of a municipal officer shall not be changed during the time for which he/she is elected or appointed.

The board regularly conducts closed meetings. Minutes were not always prepared to document the matters discussed in closed meetings. Additionally, open meeting minutes did not always document all items required by the Sunshine Law including the related vote to close the meeting, the specific reasons for closing the meeting, and actions taken by the board in closed meetings.

The village has not complied with the requirements of its revenue bond ordinance. In February 2001, the village attempted to refinance its outstanding bonds in order to obtain a reduced interest rate; however, the company indicated they were unable to refinance due to this noncompliance.

The village has not performed a formal review of the adequacy of the water and sewer rates. In March 2001, the board voted to increase the rates from \$7.75 to \$8.75 for the first 1,000 gallons of usage and also increase rates from \$3 to \$4 for every additional 1,000 gallons used; however, the board did not prepare a statement of costs to maintain the water and sewer system as required when increasing rates.

Additionally, the village is not correctly calculating the sales tax amounts charged and collected on water and sewer services. Sales tax rates charged ranged from 0.48 percent to 15 percent on the bills reviewed.

The audit also includes some matters related to expenditures, written contracts, bidding policies, personnel, ordinances and board meetings, restricted revenues, budgets and financial reporting, general fixed assets and the Fall Festival, upon which the village should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

VILLAGE OF SILEX, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Village of Silex, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Silex, Missouri. The scope of our audit of the village included, but was not necessarily limited to, the year ended December 31, 2001. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review compliance with certain legal provisions.
3. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the village.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Silex, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

July 29, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA
In-Charge Auditor: Michael J. Monia

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF SILEX, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Oversight and Monitoring

Inadequate oversight and monitoring by the Board of Trustees, inadequate records, accounting errors, and improper uses of restricted monies have all contributed to a serious financial situation for the village.

As noted elsewhere in this report, the village has used restricted law enforcement training monies and restricted water and sewer monies for payment of expenditures of the General Fund. In addition, village monies were used to purchase personal items, checks were written to cash, cash was withheld from deposits, and it appears some monies were never deposited to village funds. Also, a significant amount of money is due to the federal government for unpaid payroll taxes. During 2001, the village spent approximately \$5,800 more than it received and had approximately \$14,000 in their various bank accounts at year end. In addition, village personnel indicated they have had to spend a lot of money in 2002 making various repairs to the water and sewer system. The village was unable to make the \$10,000 sewer bond payment due in December 2002; however, they were able to obtain a 120 day extension. The Chairman of the Board indicated they should be able to make the payment within the 120 days.

Inadequate records and procedures have inhibited the board's ability to effectively monitor and manage the village and have resulted in or contributed to the problems noted above. These weaknesses included absence of budgets and other financial reports, the lack of bank reconciliations, numerous errors and inadequate detail in accounting records, the lack of supporting documentation for numerous disbursements, and inadequate segregation of accounting duties or review of work performed. In addition, the Board was unable to refinance their outstanding bonds at a lower interest rate because they had not complied with bond requirements.

The Board of Trustees should review disbursements, reducing discretionary spending as much as possible, and ensure adequate receipts exist to fund the necessary core village services. These plans should be formalized in a detailed annual budget. In addition, the board should ensure adequate accounting records and an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to frequently monitor budgeted and actual activity. The specific recommendations contained in the following findings, if implemented, will help establish these records, controls, and procedures. The weaknesses noted throughout our report must be corrected to achieve the required level of accountability, to more effectively use the village's resources, and to establish the public's confidence in its village government.

WE RECOMMEND the Board of Trustees review the current financial condition of the village and consider the various alternatives of reducing disbursements and/or increasing receipts. In addition, the board should ensure adequate budgets and financial records are prepared and maintained in the future, and adequate controls and procedures are in place to properly oversee village operations.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

We concur with this recommendation and are working to improve the current financial condition of the village. We are also working to ensure budgets and financial records are prepared and maintained for fiscal year 2003.

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| 2. Accounting Controls, Records, and Procedures |
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A. The Village Clerk does not adequately record all transactions on village accounting records or reconcile the accounting records to bank records. Disbursements were usually recorded on check registers but deposits were seldom recorded, and account balances were not maintained and reconciled to bank balances. In addition, receipts and disbursements are not classified and monthly summary reports are not prepared.

All transactions should be recorded on check registers and account balances should be maintained and reconciled to bank balances to ensure records are in balance and errors are detected and corrected in a timely manner. In addition, summaries showing receipt sources and disbursement classifications should be prepared for each fund on a monthly basis and should be used for comparison to budgeted amounts and overall review of village operations. Complete, organized, and timely accounting records are necessary to provide accurate and timely financial information to village officials upon which effective management decisions may be made.

B. The Chairman of the Board, Village Clerk, and an additional board member are authorized to sign checks issued on the village's bank accounts. Checks require two signatures; however, checks are sometimes signed in advance. In addition, the board members and village clerk are not bonded.

Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures. In addition, failure to properly bond individuals who have access to funds exposes the village to risk of loss.

C. Receipts are not deposited intact on a timely basis. Monies were generally deposited five times per month. In addition, prenumbered receipt slips are not

issued for monies received nor is the composition of receipts reconciled to the composition of deposits. As a result, the following errors went undetected:

- 1) A deposit was made on January 7, 2002, in the amount of \$706 but the actual check composing the deposit was for \$2,306. There was no village explanation for this transaction. Upon our inquiry in July, 2002, and after being questioned several times about the check, one board member (the former Chairman of the Board), finally indicated he had withheld the \$1,600 in cash to be placed in the safe for unexpected repair costs to the village's water and sewer systems. The board member further indicated these monies had been stolen from his vehicle while parked at a local gas station in route back to city hall on the same day the deposit was made. However, he had not filed a police report, nor was this loss noted in any village records. Village personnel were not made aware of the stolen monies until late July 2002, when the deposit was in question.
- 2) On July 31, 2001, \$3,000 was deposited but the actual check composing the deposit was for \$3,296. Village personnel indicated the \$296 was withheld in cash and deposited into another village account; however, a deposit could not be located in any of the village accounts. (See C.3. below)
- 3) During the year ended December 31, 2001, the village deposited approximately \$50,000 in water and sewer receipts to the General Fund. However, based on deposit records, only \$470 in water and sewer receipts was deposited in cash, none of which was deposited during the first eight months of 2001. Confirmations received from village residents indicated there were several water and sewer bills paid in cash during the first eight months of 2001.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all deposits should be made intact daily or when accumulated receipts exceed \$100. In addition, to properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received, reconciled to the composition of monies deposited, and the numerical sequence accounted for properly. The Board should consult with the village attorney to determine the village's options in relation to any possible investigation of the missing monies.

- D. The Board of Trustees has not appointed separate individuals to serve as Village Collector or Village Treasurer. Presently, the Village Clerk also serves as both the Village Collector and the Village Treasurer. She collects receipts, maintains the village's financial records, makes bank deposits, co-signs checks, and handles water and sewer billings.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statutes pertaining to villages are similar to those cited in this opinion; therefore, the opinion's conclusion appears applicable to villages also.

Holding all three of these offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

- E. The village does not have a written agreement with its current depository bank. A written depository agreement helps both the bank and the village understand and comply with the requirements of any banking arrangement. As of December 31, 2001, the village maintained three non-interest bearing bank accounts. The average monthly bank balance for the year ended December 31, 2001, was approximately \$8,100.

The village should review its bank accounts in an effort to maximize any interest earned on the accounts. In addition, the village should ensure any depository agreement includes provisions that detail any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds.

- F. Village personnel indicated a petty cash fund of \$100 is maintained and used to make change and buy miscellaneous items for the village. The petty cash fund is not maintained on an imprest basis. In addition, a petty cash ledger is not maintained showing receipts, disbursements and balances, nor is supporting documentation retained for disbursements. During the year ended December 31, 2001, there were no checks issued to replenish the petty cash fund. Thus it appears cash received from the Saturday breakfast and water and sewer payments might have been used to replenish the fund; however, records were inadequate to determine the amount of transactions that might have been handled through this fund.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact, and the petty cash fund should be replenished only by checks approved by the Board of Trustees. In addition, supporting documentation should be maintained for all disbursements from the fund, and a petty cash ledger should be maintained to properly account for village monies.

WE RECOMMEND the Board of Trustees:

- A. Ensure that a complete financial accounting system is established including summaries documenting monthly receipt sources and disbursement classifications. This information should be used to compare to budget estimates and monitor village operations. In addition, the Board should ensure officials record account balances and all transactions on the check registers, and reconcile account balances to bank balances for all village accounts on a monthly basis.
- B. Ensure village officials discontinue the practice of signing checks in advance and obtain bond coverage for all individuals handling village monies.
- C. Ensure all receipts are deposited intact daily or when receipts exceed \$100, prenumbered receipt slips are issued for all monies collected, the composition of monies collected is reconciled to the composition of receipt slips and bank deposits, and the numerical sequence of receipt slips are accounted for properly. In addition, the Board should consult with the village attorney to determine the village's options in relation to any possible investigation of the missing monies.
- D. Consider appointing separate individuals to the positions of Village Clerk, Village Collector, and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- E. Review the village's bank accounts in an effort to maximize any interest earned and enter into a written agreement with the village's depository bank.
- F. Maintain the petty cash fund on an imprest basis and retain adequate documentation for all petty cash disbursements. In addition, the Board should ensure a petty cash ledger showing beginning balance, receipts, disbursements, and ending balance is maintained to properly document the financial activity of the fund, and that the petty cash fund is replenished only by checks approved by the Board.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *These recommendations have been partially implemented. The village is now keeping a complete accounting system, recording all transactions on check registers, and performing bank reconciliations on a monthly basis. We will immediately start classifying revenues and expenditures and will compare the information to the budget estimates starting with the 2003 budget.*

- B. *This recommendation has been partially implemented. We have discontinued the practice of signing checks in advance. We will immediately obtain bond coverage for all individuals handling village monies.*
- C. *These recommendations have been partially implemented. We have started depositing on a daily basis and are issuing prenumbered receipt slips for all monies received. We will immediately start reconciling the composition of receipt slips to the bank deposits and accounting for the numerical sequence of the receipt slips. We will also consult with the village attorney about a possible investigation of missing monies.*
- D. *We concur with this recommendation. We will try to establish an independent review of record keeping functions immediately.*
- E. *We concur with this recommendation. We will consult with bank officials about obtaining a written depository agreement immediately. We have discussed obtaining interest bearing accounts with the bank and they will not switch our accounts to interest bearing accounts at this time.*
- F. *We concur with these recommendations. We will immediately begin maintaining the petty cash fund on an imprest basis, preparing a petty cash ledger, and retaining supporting documentation for all petty cash disbursements.*

3.

Village Expenditures

- A. The village does not have a formal bidding policy. As a result, the decision to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained for approximately \$4,800 in construction services and \$4,100 in miscellaneous purchases at a local hardware store (which included large equipment rental and the purchase of a lawn mower).

Formal bidding procedures for major purchases would provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with bidders that offer the best value. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the village's business. Not only can bids be handled by telephone quotation but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. Vendor invoices or other supporting documentation were not properly retained for 47 of 61 expenditures (77 percent) reviewed. One check, in the amount of \$3,000, was made payable to a local bank. Village personnel indicated that the village does not do business with this bank and were unsure why this payment

was made. The bank indicated this check had been applied to two personal loans of the former Chief of Police. Seven of the payments (totaling approximately \$3,140), represented reimbursements to the former Village Clerk. The memo portion of a check written to the Village Clerk for \$723 indicated that the reimbursements were for supplies, and other checks indicated reimbursements were for hardware and Christmas supplies. However, there was no documentation of what supplies or hardware was purchased to support the reimbursements. In addition, several checks, totaling approximately \$2,400, were made payable to cash. The memo portion of one check made payable to cash for \$450 indicated it was for Christmas lights; however, village personnel indicated that the village does not own any Christmas lights.

All expenditures should be supported by sufficiently detailed vendor invoices to ensure the obligations were actually incurred and the expenditures represent appropriate uses of public funds. In addition, to reduce the risk of misuse of monies, the practice of writing checks payable to cash should be prohibited.

- C. The Board of Trustees does not review and approve the payment of village expenditures. In addition, interfund transfers are not approved by the board. The Village Clerk receives the invoices and prepares and signs the checks. The Board Chairman normally co-signs the checks. Expenditures made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village. The board should review all vendor invoices, ensure goods or services were actually received by the village, and agree the invoices to the checks issued. In addition, board approval should be documented for all expenditures and interfund transfers.
- D. The village does not have a written contract with its attorney outlining the types of services that are to be provided and at what cost. Attorney expenses of approximately \$3,000 were incurred during the year ended December 31, 2001. In addition, the village did not file a Form 1099 with the Internal Revenue Service for these legal services.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Section 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on the Form 1099.

- E. During the year ended December 31, 2001, the village spent approximately \$1,000 on three cellular telephones, telephone supplies and calling cards, none of

which can be located. In addition, the village made two payments to a telephone company (totaling approximately \$770) that appear to have been for cellular telephone usage; however, the invoices for these payments could not be located. The telephone company indicated there were no telephones in the village's name; therefore, it appears the telephones were activated in an employee's name.

The Board should determine who has the cellular telephones and attempt to recover the telephones or their cost. Personal use of village assets is inappropriate and increases the risk of loss or misuse of those assets. While cellular telephones can help increase employee productivity, they are also costly. If the Board determines cellular telephones are necessary, a formal written policy regarding cellular telephones and their usage should be developed. Such a policy should address which employees need a cellular telephone, proper use of the telephone, and a review and authorization process.

F. During our review of expenditures, we noted the following expenditures that do not appear to be necessary costs of operating the village:

- 1) During the year ended December 31, 2001, the village spent approximately \$3,200 on supplies and personnel for the weekly Saturday morning breakfast. Village personnel indicated a fee was collected for each breakfast to cover the costs to the village. Approximately \$950 in proceeds from the breakfast were deposited to village accounts (see also MAR finding number 2.F.). The Board should evaluate the cost against the benefits of this program.
- 2) Village funds were used to purchase personal items. During the year ended December 31, 2001, approximately \$4,000 was spent at two local department stores. Department store receipts included items such as cigarettes, shaving items, hunting products, laundry detergent, dog treats, videos, and toys. Village personnel had no explanations as to the need or use of these items.

These disbursements do not appear to be necessary costs of operating the village and are a questionable use of public funds. The village's residents have placed a fiduciary trust in their public officials to expend tax revenues and fees in a necessary and prudent manner.

G. During the year ended December 31, 2001, the former Chief of Police was paid approximately \$3,000 for maintenance and repair work in addition to his regular salary. In addition, the former chairman was paid approximately \$700 for maintenance work and a trustee was paid approximately \$500 for preparation of water and sewer billings in addition to their regular salary.

Officers and agents of a village serve in a fiduciary capacity. Personal interests in business matters of the village create the appearance of conflicts of interest and a lack of independence that could harm public confidence in the board and reduce their effectiveness.

Section 105.454, RSMo, prohibits financial transactions between a village and an officer or employee (or spouse, dependent child, or business and corporate interest of the officer or employee) of that village that involved more than \$1,500 per year or \$500 per transaction unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received.

In addition, Section 105.458.1, RSMo, states: "No member of any legislative or governing body of any political subdivision of the state shall: (1) Perform any service for such political subdivision or any agency or the political subdivision for any consideration other than the compensation provided for the performance of his official duties."

To reduce the appearance of conflict of interest and to ensure full compliance with state law, the village should bid all services provided by village officials and employees, and particularly where it is possible the payments may exceed \$500 per transaction or \$1,500 per year. The Board should also consider establishing an ordinance that addresses these types of situations and provides a code of conduct for village officials.

- H. During the year ended December 31, 2001, the wife of the former Chairman of the Board was paid approximately \$1,300 to cook the weekly Saturday morning breakfast. We found no evidence in the minutes of approval or to document if the former Chairman of the Board abstained from voting to hire his wife.

Article VII, Section 6, of the Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

WE RECOMMEND the Board of Trustees:

- A. Establish formal bidding policies and procedures, with provisions for documentation of the justification for selecting and rejecting bids.
- B. Require adequate supporting documentation for all expenditures and prohibit the practice of making checks payable to cash. In addition, the Board should discuss the payments applied to personal loans with their city attorney to determine if these monies can be collected from the former Chief of Police.

- C. Review and approve all expenditures of village funds prior to disbursements being made. In addition, approval for all expenditures and interfund transfers should be documented.
- D. Enter into a written contract with the attorney detailing the duties to be performed and the costs associated with the service. In addition, the Board should ensure 1099 forms are issued in accordance with IRS regulations.
- E. Attempt to determine who has the cellular phones purchased by the village and recover the phones or the cost of the phones. In addition, the Board should develop a formal written policy regarding the use of cellular phones, including a provision limiting their personal use.
- F. Ensure expenditures are limited to those necessary to operate the village.
- G. More closely examine future village transactions to identify and avoid apparent and actual conflicts of interests and establish procedures to ensure all services obtained from village officials are properly bid in accordance with state law.
- H. Ensure all appointments to village positions comply with the restrictions of Article VII, Section 6, of the Missouri Constitution, in regard to the appointment of relatives. If a relative of a village official is considered for appointment, that official should abstain from voting on the appointment and that action should be adequately documented in the minutes.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *We concur with this recommendation and will begin developing a policy/ordinance for bidding procedures immediately.*
- B. *We have already implemented this recommendation.*
- C. *We have already implemented this recommendation.*
- D. *We concur with this recommendation and will enter into a written agreement with the village attorney immediately.*
- E. *We concur with these recommendations and will try to locate the cellular telephones and or recoup the costs immediately. In addition, we will evaluate the need for cellular telephones and if they are determined to be necessary, we will develop a formal written policy regarding their usage.*
- F. *We have already implemented this recommendation.*

- G. *We concur with this recommendation and will try to avoid any possible conflicts of interest in the future and will bid out all material services beginning in 2003.*
- H. *We concur with this recommendation and will ensure we are in compliance with the Missouri Constitution in the future. We do not recall ever voting on this matter.*

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| 4. Payroll and Personnel |
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The village incurred approximately \$32,000 in gross wages during the year ended December 31, 2001. We noted the following concerns:

- A. The village has not formalized a written personnel policy for village employees and appointed officials. This policy should outline job duties and qualifications, wage rates, hiring and firing procedures, vacation and sick leave, regular work hours and official holidays, and compensatory time.

According to the village officials, there is an ordinance that identifies the salaries of the village appointed officials; however, this ordinance could not be located. There was no documentation maintained in personnel files or noted in the board minutes authorizing the hiring or termination of employees. In addition, some employees were hired and began working in the village before they were approved by the Board of Trustees.

A comprehensive personnel policy manual would provide guidance and control for the effective and consistent management of the village's employees. In addition, Section 79.320, RSMo, provides that the duties and term of office for the Village Clerk are to be set by ordinance.

- B. We reviewed village procedures for reporting wages, withholdings, and payroll taxes, and noted the following concerns:
 - 1) The village does not properly report wages on Form W-2. We noted that salary amounts reported on the employees' W-2 forms were approximately \$2,000 more than what was reported on the Division of Employment Security Quarterly Contribution and Wage Reports. The actual gross wages could not be determined, since various payroll records could not be located (see MAR finding number 4. C. below). In addition, there was no evidence to show the village had filed the employees' W-2 forms with the Internal Revenue Service (IRS).
 - 2) The village does not withhold federal or state income taxes from the compensation paid to the village employees. Furthermore, the village did not have employee withholding forms (W-4) on file for any individuals employed by the village.

- 3) The social security and Medicare taxes withheld from employees payroll checks and the village's match were not disbursed to the IRS. The village has not filed Form 941, Employer's Quarterly Federal Tax Return, since 2000. This form should be filed with the IRS on a quarterly basis along with payment of social security and Medicare taxes withheld from the employee and the employer's share. An estimated \$4,600 (excluding interest and penalties) is owed to the IRS for these delinquent taxes.
- 4) The first and third quarter wage reports were not filed with Division of Employment Security on a timely basis, resulting in \$200 in late reporting penalty charges. The Code of State regulations, CSR 8 10-4.030, requires all employers to file wage reports on or before the last day of the month following each calendar quarter. To avoid late charges, the village should ensure the quarterly wage reports are filed in a timely manner.

The Internal Revenue Code requires employers to withhold and remit federal income taxes; report accurate wages on Form W-2; submit quarterly 941 forms and payments of social security and Medicare taxes; and ensure W-4 forms are completed by all employees. Similarly, Chapter 143, RSMo includes requirements for reporting wages and withholding state income taxes. The village should determine the total taxes due the applicable taxing authorities and make the required payments.

- C. Village personnel indicated time sheets are prepared by village employees and submitted to the Village Clerk; however, they are not reviewed by the board. In addition, a payroll register was not maintained and most timesheets to support payments could not be located. The times shown as worked did not agree to the number of hours paid on some of the timesheets reviewed. As a result, some employees appear to have been overpaid. In addition, many time sheets for employees noted only total hours worked for the pay period instead of documenting the time worked per day. Due to the lack of payroll records, total amounts overpaid to employees could not be determined.

Complete and accurate time sheets are necessary to document hours worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked. The village should require all employees to prepare detailed time sheets that are reviewed and approved by the board to provide evidence that the recorded hours worked accurately reflects amounts paid.

- D. Village appointed officials received raises in December 2001, during their terms of office. Article VII, Section 13, of the Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition, Section 79.270, RSMo, states that the salary of a municipal officer shall not be changed during the time for which he/she is elected or appointed.

- E. Salaries for the village trustees have not been established by ordinance. Compensation rates set by ordinance document the approved amounts each village trustee should be paid, and can reduce potential misunderstandings regarding pay. In addition, ordinance hearings provide for public input and information concerning salaries paid.
- F. Duties are not adequately segregated to provide the necessary internal controls over the payroll function. The village clerk handles all payroll duties including preparation, record keeping, disbursing payroll checks, and distributing employee W-2s. We noted no review by the Board of Trustees related to payroll procedures.

Proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of loss, theft, or misuse of funds. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll register and employee time sheets by the board would provide another supervisory review to minimize the risk of loss, theft, or misuse of funds.

WE RECOMMEND the Board of Trustees:

- A. Prepare and maintain a personnel policy to provide documentation of the village's procedures and policies for all village appointed officials and employees.
- B. Ensure payroll taxes are properly withheld and remitted on a timely basis for any wages or salaries paid and that all individuals receiving salaries or wages from the village have a properly completed W-4 form on file. The board should ensure that compensation paid to elected or appointed officials is properly reported on W-2 forms and payroll tax reports are filed with the proper authorities. In addition, the board should file the 941 forms and ensure the taxes due to the applicable taxing authorities are paid for past years.
- C. Ensure timesheets are accurately prepared and maintained. In addition, time sheets should be signed by the official or employee and review by the board should be documented.
- D. Ensure salaries of the village officials are not changed during their term of office.
- E. Establish by ordinance the salaries or pay rates for the village trustees.
- F. Properly segregate payroll duties or, if segregation of duties is not possible, periodically perform an independent review of the related payroll records.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. We concur with this recommendation and will establish an ordinance providing documentation of the village's policies and procedures for all employees immediately.*
- B. We concur with these recommendations and will ensure proper procedures are being followed for current payroll. We will work to pay back amounts for prior years as the financial condition of the village improves.*
- C. We have already implemented these recommendations.*
- D. We concur with this recommendation and will ensure that the salaries are not changed during a term of office in the future.*
- E. We concur with this recommendation and will establish an ordinance setting the salaries for the village trustees immediately.*
- F. We have already implemented this recommendation.*

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| 5. Board Minutes, Policies and Ordinances |
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- A. Improvement is needed in the organization of the village's ordinances. Village personnel could not locate several ordinances requested and did not have a comprehensive list. The village's ordinances have not been codified, thus hindering the village's ability to locate specific ordinances. In addition, many of the ordinances in effect appear outdated or do not represent current practices. For example, Ordinance 2000-3 establishes a fee of \$8.75 for the first 1,000 gallons of water and sewer usage, while current records indicate the village is collecting \$7.75. Ordinance 1998-2, Section 23-12, states that a reconnection charge of \$30 shall be paid prior to water and sewer services being reestablished; however, the village is charging a reconnection fee of \$35.

Since ordinances represent the legislation passed by the Board of Trustees to govern the village and its residents, it is important they be maintained in a complete, well-organized, and up-to-date manner. Ordinances also give taxpayers information on how the village is to be governed.

- B. The board minutes prepared by the Village Clerk or the Assistant Village Clerk are not signed and are sometimes illegible. In addition, minutes were not prepared for three board meetings during the year ended December 31, 2001.

Section 610.020, RSMo, requires that a journal of minutes shall be taken and retained by the public governmental body for all open meetings. These minutes

are to include the date, time, place, members present, members absent, and a record of any votes taken. The board minutes should be legible and signed by the Village Clerk or Assistant Village Clerk as preparer and a board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

C. The board regularly conducts closed meetings. A review of closed meetings noted the following concerns:

- 1) Minutes were not always prepared to document the matters discussed in closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Trustees.

Formal written minutes for closed meetings result in a better record of village transactions, proceedings, and decisions. In addition, minutes help the village demonstrate that closed discussions or business relate to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo.

- 2) Open meeting minutes did not always document all items required by the Sunshine Law including the related vote to close the meeting, the specific reasons for closing the meeting, and actions taken by the board in closed meetings.

Section 610.022, RSMo, requires that before any meeting may be closed, it shall be voted on at open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo, requires certain matters discussed in closed meetings be made public upon final disposition.

- 3) Board minutes did not document how some items discussed by the Board of Trustees in closed session, such as discussion about a ½ cent sales tax for police funding, complied with provisions of the Sunshine Law.

Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, personnel issues, and privileged communications with auditors.

D. The village does have a policy regarding public access to village records. However, the policy does not establish a contact person or an address for mailing requests. In addition, the policy states that the custodian may charge \$10 per hour and \$.25 per copy; however, village employees are paid \$8 per hour.

Section 610.023, RSMo, lists requirements for making village records available to the public. Section 610.026, RSMo, allows the village to charge fees for copying public records, not to exceed the village's actual cost of document search and duplication.

- E. Village officials indicated that a tentative agenda is prepared and posted for each board meeting; however, agendas were not retained during the year ended December 31, 2001. Section 610.020, RSMo, requires all public governmental bodies to give advance notice of their meetings. The notice is to include the time, date, and place of the meeting, as well as the tentative agenda, and should be given in a reasonable manner. This section of law describes reasonable notice as making available copies of the notice to any representative of the news media and the posting of such notice at the building where the meeting is to be held. To document compliance, the Village Clerk should document the date, time, and location the notice was posted and retain this information with the minutes.

WE RECOMMEND the Board of Trustees:

- A. Ensure a complete and up-to-date set of village ordinances are maintained in numerical sequence and secured in an ordinance book.
- B. Ensure minutes are maintained for all meetings conducted. In addition, the Board should require board minutes to be maintained in a legible format, and signed by the Village Clerk or the Assistant Village Clerk and a member of the Board of Trustees to attest to their completeness and accuracy.
- C.1. Ensure minutes are prepared for closed meetings.
 - 2. Ensure minutes document the vote to go into closed session, state the reasons for going into closed session, and publicly disclose the final disposition of applicable matters discussed in closed session.
 - 3. Ensure only allowable, specified subjects are discussed in closed session as required by state law.
- D. Ensure written policies and procedures regarding public access to and/or copies of village records are in compliance with state law.
- E. Ensure notices of the board meetings, including a tentative agenda, are posted and retained in accordance with state law.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *We concur with this recommendation and are in the process of reviewing, updating, and filing village ordinances in an organized manner.*
- B. *We have already implemented these recommendations.*
- C. *We have already implemented these recommendations.*
- D. *We have partially implemented this recommendation. We have reduced the hourly rate charged to \$8 and will work to include all other items in the policy to bring it into compliance with state law immediately.*
- E. *We have already implemented this recommendation.*

6.

Restricted Revenues

- A. During the year ended December 31, 2001, the village received approximately \$8,200, in state motor vehicle-related receipts that were deposited into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including constructing, repairing, policing, signing, lighting, and cleaning of roads and streets. The village has not established a separate fund or separate accounting for these receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.
- B. Law Enforcement Training fees are not accounted for separately or maintained in a separate fund. Section 590.140, RSMo, requires law enforcement training fees to be used only for the training of law enforcement officers. The village should determine law enforcement training fees collected and transfer the fees to the recently established Police Fund or establish a separate accounting of the funds to ensure the fees are used in accordance with state law.
- C. During the year ended December 31, 2001, the village deposited approximately \$50,000, in water and sewer receipts into the General Fund. The Village Clerk then transferred approximately \$18,500 to the Sewer Fund on an as needed basis. Section 250.150, RSMo, requires charges for the services of any combined waterworks and sewage system to be segregated from all other receipts of the village.

To ensure compliance with state law, the village should deposit all water and sewer receipts into the Sewer Fund.

- D. Documentation does not exist to support the allocation of payroll expenditures to the village's Sewer Fund. During the year ended December 31, 2001, the Village Clerk and the Assistant Village Clerk were paid approximately \$1,500 from the Sewer Fund. Village personnel indicated certain duties performed by the clerks are directly related to the sewer fund; however, adequate documentation is not maintained denoting how much of their time was spent on sewer duties.

Adequate documentation to support the allocation of payroll expenditures to the village's Sewer Fund is necessary to accurately determine the results of operations of specific activities, thus enabling the village to establish user charges necessary to meet all operating costs without generating profits to subsidize other village services.

WE RECOMMEND the Board of Trustees:

- A. Establish a separate fund or accounting of the state motor vehicle-related revenues to ensure funds are spent in accordance with the Missouri Constitution.
- B. Establish a separate accounting for Law Enforcement Training fees to ensure funds are spent in compliance with state law.
- C. Deposit all sewer and water receipts into the Sewer Fund.
- D. Ensure adequate documentation is maintained to support payroll disbursements from the Sewer Fund.

AUDITEE'S RESPONSE

- A. *We concur with this recommendation and will establish a separate accounting for motor vehicle revenues immediately.*
- B. *We concur with this recommendation and will establish a separate accounting system for the Law Enforcement Training revenues immediately.*
- C. *We have already implemented this recommendation.*
- D. *We concur with this recommendation and will begin maintaining adequate documentation to support payroll disbursements from the Sewer Fund immediately.*

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| 7. Water and Sewer Records and Procedures |
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- A. In 1988, the village issued \$100,000 of revenue bonds for the village sewage system. We reviewed the various sections of ordinance 1988-01 and noted the following concerns:

- 1) The village has not established the applicable restricted funds. Section 701 states the village will maintain a Revenue Fund for all receipts collected by the village from the operation of the system and that the Revenue Fund should be administered as follows:
 - Operation and Maintenance Fund for paying the reasonable and proper expenses of operating and maintaining the system and keeping the system in good repair and working order,
 - Principal and Interest Fund to the extent necessary to pay all interest and principal of the bonds when they become due,
 - Depreciation and Maintenance Fund in the sum of \$50 each month until the said fund shall aggregate the sum of \$5,000, and
 - Surplus Fund for all monies remaining in the Revenue Fund.

The village does maintain a Sewer Fund; however, most water and sewer receipts were not deposited into this fund (see MAR finding number 6.C.). While provisions of the ordinance require these funds, the village has not established any of them.

- 2) The village does not maintain adequate books, records and accounts. Section 906 states that the village will maintain proper books, records and accounts in which complete and correct entries of all transactions in relation to the sewage system of the village are recorded. Such accounts shall show the amount of monies received from the system, the application of such receipts, and all financial transactions in connection therewith. The village does not maintain any records listing or summarizing amounts billed, amounts collected, or amounts delinquent. In addition, the village did not retain copies of billing cards sent to residents or the portion of the cards returned with payment.
- 3) The village does not prepare an annual budget of the sewer system. Section 907 states that a budget shall be prepared setting forth the estimated receipts and disbursements of the system for the next succeeding fiscal year.
- 4) The village has not obtained a biannual audit of the sewage system. Section 908 states that the village will cause an audit to be made of the system for the preceding two fiscal years by a certified public accountant.
- 5) The village has not received an engineer's report on the sewer system. Section 909 states that at least once every five years the village will cause the consulting engineer to make an examination of and report on the condition and operations of the system.

- 6) The village has not maintained a 125% debt coverage ratio. Section 902 states that the village is to have in each fiscal year net operating revenues from the system in an amount that will be not less than 125% of the amount required to be paid by the village in such fiscal year on account of both principal and interest on all sewage system revenue bonds at the time outstanding.

In February 2001, the village attempted to refinance their outstanding bonds in order to obtain a reduced interest rate; however, the company indicated they were unable to refinance because the village had not complied with their bond ordinance.

Since ordinances represent legislation that has been passed by the Board of Trustees to govern the village and its residents, it is imperative that the current Board operate in accordance with established ordinances. The failure of the village to adequately maintain the required records and accounts, and to obtain the required reports could allow bondholders to take legal action to force compliance or immediate payment of all outstanding bonds.

- B. The village has not performed a formal review of the adequacy of the water and sewer rates. In March 2001, the board voted to increase the rates from \$7.75 to \$8.75 for the first 1,000 gallons of usage and also increase rates from \$3 to \$4 for every additional 1,000 gallons used; however, the board did not prepare a statement of costs to maintain the water and sewer system as required when increasing rates. The Board later decreased the rates back to the original amounts due to resident complaints.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs necessary to maintain the funding of the service. Water and sewer fees are user charges, which should cover the cost of providing the related services. The village needs to perform a thorough review of the cost of providing these services and set rates appropriately.

- C. The village does not reconcile the total gallons of water billed to customers to the gallons of water pumped. To help detect significant water loss on a timely basis and to help ensure that all water usage is properly billed, the village should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences.
- D. Village residents are required to pay a \$60 deposit for water and sewer services refundable upon cancellation of services; however, the village does not keep a record of deposits held for each resident.

To ensure all village residents have paid a deposit and that the village has refunded deposits to residents that have cancelled services, adequate records of sewer and water deposits are necessary. The village needs to identify the deposit

held for each customer and maintain a permanent record of this information. Preparation of a detailed listing of customer deposits would provide means to perform periodic reconciliations between the customer deposit records and monies in the account. Without these reconciliations, the possibility of undetected errors is increased.

- E. The village does not perform periodic reconciliations of total billings, payments received, and delinquent amounts for water and sewer services. Periodic reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of reconciliations should be retained to support conclusions and any corrections to be made, and to facilitate independent reviews.
- F. The village does not adequately monitor or pursue the collection of delinquent water and sewer accounts. There were many instances where up to three months of payments were received at one time without penalty. In addition, there was nothing noted in village records to indicate personnel were aware these amounts were delinquent or that services were disconnected. Village ordinance 98-2, Section 23-12 states a 10% penalty may be charged and services may be disconnected if payments are not received timely.

Since other residents are paying in a timely manner for these services, it does not appear equitable to allow delinquent residents to receive the same service for free. To help ensure prompt collection of water and sewer bills, the village should ensure delinquent procedures are enforced as required by village ordinance.

- G. The village is not correctly calculating the sales tax amounts charged and collected on water and sewer services. According to the Department of Revenue, the village should be charging sales tax on the water portion of the billings only, at a rate of 6.975 percent on businesses, and 0.75 percent on domestic usage; however, the village is taxing both the water and sewer portion of the billings and are not using the correct sales tax rate. Sales tax rates charged ranged from 0.48 percent to 15 percent on the bills reviewed.

Records were not adequate to compare sales tax amounts collected to amounts paid to the Department of Revenue. While it appears that the proper rate was used to calculate amounts to be paid to the Department of Revenue, there is no assurance that the village was utilizing the correct sales amount in their calculation or collecting the correct amount.

- H. The village has lost at least several hundred dollars in sales tax revenues by not submitting the required documentation to the Department of Revenue to enable the state to authorize collection of the tax. In 1979, the village passed an ordinance re-imposing the 1 percent village sales tax on residential utility services

to take effect, January 1, 1980; however, the village did not file the ordinance with the Department of Revenue, thus the tax was never imposed.

Had the village notified the Department of Revenue, the state would have started collecting these sales tax monies for the village many years ago. As a result of this situation, the village has lost several years of sales tax revenues that would have aided the village's current financial situation.

WE RECOMMEND the Board of Trustees:

- A. Comply with the provisions of the bond ordinance.
- B. Perform periodic reviews of the costs to maintain utility services, and establish rates to ensure receipts are adequate. In addition, as required by state law, a statement of costs to maintain funding of the service should be prepared before enacting any rate increase.
- C. Compare gallons of water pumped to the gallons billed on a monthly basis and investigate significant differences.
- D. Identify all meter deposits held by the village and periodically reconcile these deposits to the bank account in which they are deposited.
- E. Perform periodic reconciliations of the amounts charged to the amounts collected and delinquent accounts.
- F. Ensure established collection procedures related to delinquent water and sewer bills are enforced per village ordinance and monitor the delinquent accounts.
- G. Ensure that the correct sales tax is charged and collected on water billings.
- H. File the necessary documentation with the Department of Revenue to enable the state to authorize collection of the sales tax and ensure the necessary actions are taken to ensure the timely implementation of any future tax issue.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *We concur with this recommendation and will attempt to comply with the provisions of the bond ordinance as the financial condition of the village improves.*
- B. *We concur with these recommendations and will perform reviews to ensure the sewer rates are adequate immediately.*

- C. *We concur with this recommendation and will start reconciling the gallons pumped to the gallons billed immediately.*
- D. *We concur with this recommendation and will attempt to identify all meter deposits on hand and reconcile the balance on hand to the bank balance immediately.*
- E. *We concur with this recommendation and will begin performing periodic reconciliations of amounts charged to the amounts collected and delinquent accounts immediately.*
- F. *We concur with this recommendation and will begin enforcing the established collection procedures related to delinquent accounts immediately.*
- G. *We concur with this recommendation and will ensure the village is charging the correct sales tax on all water bills with the next billing.*
- H. *We have already implemented this recommendation.*

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| 8. Budgets and Financial Reporting |
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- A. The village does not publish semi-annual financial statements. Section 80.210, RSMo, requires that the Board of Trustees prepare and publish semi-annual financial statements. These financial statements should include a statement of village receipts and disbursements for the preceding six-month period. In addition, Section 80.220, RSMo, states that the village can be fined if the Chairman of the Board neglects to publish such statements.
- B. The Board of Trustees does not prepare an annual budget. Without an annual budget, village officials can not adequately monitor receipts and disbursements. Chapter 67 of the Missouri Statutes requires that each political subdivision of the state prepare an annual budget. In addition, Sections 67.010 to 67.040, RSMo, set specific guidelines regarding the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and receipt expectations for each area of village operations and provide a means to effectively monitor actual costs and receipts. It can also assist in setting tax levies and informing the public about the village's operations and current finances.

WE RECOMMEND the Board of Trustees:

- A. Publish semi-annual financial statements as required by state law.
- B. Prepare a complete and accurate annual budget document, which contains all information required by state law and/or necessary to provide a complete financial plan for the village.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *We concur with this recommendation and will publish financial statements for the last six months of 2002.*
- B. *We concur with this recommendation and will prepare an annual budget starting in fiscal year 2003.*

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| 9. General Fixed Asset Records and Procedures |
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- A. The village does not maintain records to account for property owned or disposed of by the village. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, and asset identification number, the physical location of the assets, and the date and method of disposition of the assets. In addition, all property items should be identified with a tag or a similar devise, and the village should conduct annual inventories

Adequate general fixed asset records are necessary to secure better internal control and to safeguard village assets, which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required for village property.

- B. The village has not adopted a formal policy regarding the use of the two vehicles owned by the village, including policies that prohibit personal use. A formal policy would help ensure the vehicles are used only in a manner approved by the board.

In addition, logs documenting fuel and maintenance costs and vehicle usage are not maintained. Approximately \$2,500 was spent for fuel during the year ended December 31, 2001. Without adequate usage logs, the village cannot effectively monitor that vehicles are used for official business only. These logs should indicate the date used, miles driven, destination, and purpose of the trip and any associated fuel and maintenance costs.

These logs should be reviewed periodically to determine that the vehicles are being properly used and are cost efficient. Information on these logs should be reconciled to gasoline purchases and other maintenance charges. Such procedures would help ensure the vehicles are not used inappropriately.

- C. The village does not have a formal policy regarding the sale, trade or disposal of village property. The former Chairman of the Board indicated he gave a \$200

barbeque grill, purchased by the village in May 2001, to the former Chief of Police for services rendered. There was no documentation available to support the transaction value, nor to support the amount of work done by the village employee. In addition, there was nothing noted in the minutes to indicate the transaction was discussed and approved by the Board of Trustees.

The Board of Trustees should establish a formal policy regarding what types of transactions the Chairman of the Board can obligate the village without their approval. In addition, without detailed bills indicating the number of hours worked and the hourly rate, the village cannot ensure the validity and propriety of the transaction.

WE RECOMMEND the Board of Trustees:

- A. Establish property records for all fixed assets and require annual physical inventories of the fixed assets. The Board of Trustees should require additions to the fixed asset list be reconciled to purchases annually and ensure prenumbered inventory tags that label each item as “Property of the Village of Silex” are attached to village property and equipment.
- B. Require fuel and usage logs be maintained for all village assigned vehicles and perform a periodic review of such logs.
- C. Establish a policy for the sale, trade and disposal of village property.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *We concur with these recommendations and will establish general fixed asset records for all village property immediately, and will begin conducting annual physical inventories starting in 2003.*
- B. *We concur with these recommendations and will require fuel and usage logs to be maintained immediately. We will perform a periodic review of such logs.*
- C. *We concur with this recommendation. We knew nothing of this transaction, but will ensure this type of transaction does not happen in the future.*

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|--------------------------|
| 10. Fall Festival |
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Controls over cash receipts collected from the Fall Festival are not adequate. The Fall Festival is an annual event hosted by the village in order to raise funds. Receipts from the festival consist of admissions, concessions, raffles, 50-50 drawings, bingo, and other miscellaneous games. Volunteers are chosen to work the Festival and are given various

responsibilities including collecting monies for the events. According to deposit slips, receipts from the 2001 Fall Festival totaled approximately \$5,800.

Village personnel indicated approximately \$1,355 in cash was used to make change for the Fall Festival. The village does not document the amount of money given to each event or concession stand to make change or the amount of receipts turned back over to village personnel periodically throughout the festival. Without adequate documentation, the village cannot ensure all monies collected at the festival were properly recorded and deposited. Furthermore, the village does not formally compare receipts to disbursements to ensure the Fall Festival is generating income for the village.

To adequately safeguard receipts and reduce the risk of loss, theft, and misuse of funds, documentation of change funds distributed must be maintained, and monies received from the Fall Festival should be receipted and reconciled to the amounts deposited. In addition, a formal report showing receipts and disbursements should be prepared and presented to the Board to clearly indicate whether the festival is generating income for the village.

WE RECOMMEND the Board of Trustees ensure documentation is maintained of all change funds distributed and of all funds turned over to village personnel during the festival. In addition, the Board should ensure these records are reconciled to amounts deposited, and require the Village Clerk to prepare a formal report of festival receipts and disbursements to ensure the festival is generating income for the village.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

These recommendations have been partially implemented. We are maintaining adequate documentation of all Fall Festival funds. We will work to prepare a formal report for the 2002 Fall Festival.

This report is intended for the information of the management of the Village of Silex and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF SILEX, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Village of Silex is located in Lincoln County. The village was incorporated in 1886. The population of the village in 2000 was 206.

The village government consists of a five member board of trustees. The members are elected for two-year terms. The chairman is appointed, and votes only in the case of a tie. The Board of Trustees, and other principal officials at December 31, 2001, were:

| <u>Elected Officials</u> | <u>Term Expires</u> | <u>Compensation Paid for the Year Ended December 31, 2001</u> | <u>Amount of Bond</u> |
|--------------------------------|---------------------|---|---------------------------|
| Jim Lenk, Chairman (1) | April, 2003 | \$ 2,317 | \$ 0 |
| Taunya Richardson, Trustee (2) | April, 2002 | 0 | 0 |
| Kim Hahn, Trustee (3) | April, 2002 | 0 | 0 |
| Robert Momphard, Trustee (4) | April, 2003 | 475 | 0 |
| John Shirley, Trustee | April, 2003 | 11 | 0 |

Village personnel indicated the Chairman of the Board is paid a salary of \$115 per month and trustees are to be paid \$12 per month; however, most trustees elect not to be paid.

- (1) Includes \$111 of reimbursements and \$706 of maintenance work.
- (2) Taunya Richardson was re-elected in April 2002.
- (3) Jim Livingston was elected in April 2002.
- (4) Represents payment for work performed on sewer and water billings.

Other Principal Officials

| | | |
|--|--------|---|
| Sandra Wilson, Village Clerk (5) * | 14,909 | 0 |
| Kelly Klober, Assistant Village Clerk* | 8,972 | 0 |
| Steve Wilson, Chief of Police (6) * | 7,253 | |
| James D. Burlison, Village Attorney | 3,055 | |

- * The compensation amount includes all checks made payable to these individuals, including reimbursements and additional pay for work other than their official duties. Village records were not adequate to indicate what such payments represented.

- (5) Terminated in June 2002 and replaced by Dawn Johnson in July 2002.
- (6) Terminated in May 2002 and replaced by Rodney Owen in May 2002.

On December 31, 2001, the village employed 5 part-time employees.

Assessed valuations and tax rates for 2001 were as follows:

ASSESSED VALUATION

| | |
|-------------------|---------------------|
| Real estate | \$ 910,045 |
| Personal property | <u>261,218</u> |
| Total | <u>\$ 1,171,263</u> |

TAX RATES PER \$100 ASSESSED VALUATION

| | |
|--------------|-------------|
| | <u>Rate</u> |
| General Fund | \$.2510 |

The village has the following sales tax; the rate is per \$1 of retail sales:

| | | |
|---------|-------------|----------------------------|
| | <u>Rate</u> | <u>Expiration Date</u> |
| General | \$.01 | none |

A summary of the village's financial activity for the year ended December 31, 2001, is presented below:

| | General Fund | Sewer Fund | Community Development Block Grant Fund | Total |
|------------------------------|------------------|---------------|---|----------------|
| RECEIPTS | | | | |
| Property taxes | \$ 3,685 | 0 | 0 | 3,685 |
| Motor fuel taxes | 8,239 | 0 | 0 | 8,239 |
| Sales taxes | 24,975 | 0 | 0 | 24,975 |
| Licenses | 6,145 | 0 | 0 | 6,145 |
| FIT taxes | 1,122 | 0 | 0 | 1,122 |
| Interest | 301 | 0 | 0 | 301 |
| Fines and costs | 9,283 | 0 | 0 | 9,283 |
| Use Tax | 5,343 | 0 | 0 | 5,343 |
| Water and sewer | 50,760 | 3,785 | 0 | 54,545 |
| Grant | 0 | 0 | 107,552 | 107,552 |
| Miscellaneous | 11,764 | 0 | 0 | 11,764 |
| Transfers in | 1,000 | 18,500 | 0 | 19,500 |
| Total Receipts | <u>122,617</u> | <u>22,285</u> | <u>107,552</u> | <u>252,454</u> |
| DISBURSEMENTS | | | | |
| Utilities | 9,791 | 1,036 | 0 | 10,827 |
| Payroll | 40,908 | 1,592 | 0 | 42,500 |
| Bond payments | 4,000 | 10,413 | 0 | 14,413 |
| Hardware | 5,253 | 0 | 0 | 5,253 |
| Construction | 7,021 | 0 | 98,462 | 105,483 |
| Miscellaneous | 42,498 | 8,704 | 9,090 | 60,292 |
| Transfers out | 19,500 | 0 | 0 | 19,500 |
| Total Disbursements | <u>128,971</u> | <u>21,745</u> | <u>107,552</u> | <u>258,268</u> |
| Receipts Over (Under) | | | | |
| Disbursements | (6,354) | 540 | 0 | (5,814) |
| Cash, January 1, | 19,648 | 304 | 20 | 19,972 |
| Cash, December 31, | \$ <u>13,294</u> | <u>844</u> | <u>20</u> | <u>14,158</u> |

* * * * *